

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Township of Stockbridge</b>	County <b>Ingham</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>4/26/05</b>	Date Accountant Report Submitted to State: <b>7/28/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☒ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Abraham &amp; Gaffney, P.C.</b>			
Street Address <b>108 N. Spring Street</b>	City <b>St. Johns</b>	State <b>MI</b>	ZIP <b>48879</b>
Accountant Signature <i>Abraham &amp; Gaffney, P.C.</i> <i>Adam M. Jones</i>		Date <b>7/19/05</b>	

**Township of Stockbridge  
Ingham County, Michigan**

**FINANCIAL STATEMENTS**

**March 31, 2005**

Township of Stockbridge

Ingham County, Michigan

March 31, 2005

BOARD OF TRUSTEES

Taylor Allen

Supervisor

Mary Wilson

Clerk

Diane Wilson

Treasurer

Terry Sommer

Trustee

Paul Risner

Trustee

Township of Stockbridge

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Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



**ABRAHAM & GAFFNEY, P.C.**  
Certified Public Accountants

Member  
American Institute of Certified  
Public Accountants  
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Certified Public Accountants

Karen A. Roka, CPA  
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Alan D. Panter, CPA  
William I. Tucker IV, CPA  
Kurt M. Lemmen, CPA

**INDEPENDENT AUDITOR'S REPORT**

**Members of the Township Board**  
**Township of Stockbridge**  
**Stockbridge, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Stockbridge, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Stockbridge's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Stockbridge, Michigan as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Township has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of April 1, 2004, along with all related statements and interpretations.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Township of Stockbridge's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

April 26, 2005

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following is a discussion and analysis of Township of Stockbridge's (the Township's) financial performance and position, providing an overview of the activities for the year ended March 31, 2005. This analysis should be read in conjunction with the *Independent Auditors Report* and with the Township's financial statements, which follow this section. 2005 represents the first year the Township implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 37 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments - Omnibus* and Statement No. 38 *Certain Financial Statement Note Disclosures*. Therefore, this discussion and analysis provides few comparisons with the previous year. Future reports will include financial comparisons to the prior as required by GASB.

## **FINANCIAL HIGHLIGHTS**

### **Government-wide:**

- Total net assets were \$847,896.
- Governmental activities net assets were \$546,836.
- Business-type activity net assets were \$301,060.

### **Fund Level:**

- At the close of the fiscal year, the Township's governmental fund reported an ending fund balance of \$458,236 with \$60,000 being reserved for advances to other funds.
- The General Fund realized \$23,128 more in revenues than anticipated for the fiscal year. The General Fund operations also expended \$15,072 less than appropriated.
- Overall, the General Fund balance increased by \$43,615 to \$458,236 with \$398,236 being undesignated and available for general purposes.

### **Capital and Long-term Debt Activities:**

- The primary government issued no new debt issues for the year.
- The Township remains well below its authorized legal debt limit.
- There were no significant capital asset additions during the year.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Township's annual financial report. The annual financial report of the Township consists of the following components: 1) *Independent Auditors Report*; 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and *Other Supplementary Information* including combining financial statements for all nonmajor governmental funds and other funds.

## Township of Stockbridge Management's Discussion and Analysis

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### Government-wide Financial Statements (Reporting the Township as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the Township as a whole, and about its activities. Their purpose is to assist in answering the question, is the Township, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 1) presents all of the Township's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the Township's financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the Township's net assets changed during 2005. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods.

Both statements report the following activities:

- ***Governmental Activities*** - Most of the Township's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the Township's general government departments, public safety, ambulance, planning and zoning, street improvements, and recreation are reported as governmental activities.
- ***Business-type Activities*** - These activities operate like private businesses. The Township charges fees to recover the cost of the services provided. The Fire Fund makes up the business-type activities.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 5 and 8 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental fund. Capital assets and depreciation expense are reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.

In addition, it should be noted that the government-wide financial statements include the net value of the Township's general capital assets such as buildings, land, vehicles, equipment, etc. These values are not included in the fund financial statements.



## **Township of Stockbridge**

### **Management's Discussion and Analysis**

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#### **Fund Financial Statements (Reporting the Township's Major Funds)**

The fund financial statements, which begin on page 3, provide information on the Township's significant (major) funds, and aggregated nonmajor funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Township uses to keep track of specific sources of funding and spending for a particular purpose. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for the Township of Stockbridge include the General Fund, and the Fire Fund.

The Township's funds are divided into two categories - governmental and proprietary - and use different accounting approaches:

- ***Governmental Fund*** - Most of the Township's basic services are reported in the General fund. The focus of this fund is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the Township's programs.
- ***Proprietary Funds*** - Services for which the Township charges customers (whether outside the Township structure or a Township department) a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is the Fire Fund.

#### **Notes to the Financial Statements**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 11 of this report.

#### **Required Supplementary Information**

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund.

#### **Other Supplementary Information**

Other Supplementary Information includes a schedule of fire run expenses for the Fire Fund.

### **FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE**

As previously stated, the Township of Stockbridge's combined net assets were \$847,896 at the end of this year's operations. The net assets of the governmental activities were \$546,836; the business-type activities were \$301,060.

**Township of Stockbridge**  
**Management's Discussion and Analysis**

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**Net Assets as of March 31, 2005**

	<b><u>Governmental Activities</u></b>	<b><u>Business- Type Activities</u></b>	<b><u>Total Primary Government</u></b>
Current Assets	\$ 238,414	\$ 111,698	\$ 350,112
Noncurrent Assets	<u>314,714</u>	<u>191,199</u>	<u>505,913</u>
<b>Total Assets</b>	<b><u>\$ 553,128</u></b>	<b><u>\$ 302,897</u></b>	<b><u>\$ 856,025</u></b>
Current Liabilities	<u>\$ 6,292</u>	<u>\$ 1,837</u>	<u>\$ 8,129</u>
Net Assets			
Invested in Capital Assets	\$ 88,600	\$ 251,199	\$ 339,799
Unrestricted	<u>458,236</u>	<u>49,861</u>	<u>508,097</u>
<b>Total Net Assets</b>	<b><u>\$ 546,836</u></b>	<b><u>\$ 301,060</u></b>	<b><u>\$ 847,896</u></b>

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the Township's primary government net assets changed during the fiscal year:

**Changes in Net Assets for the Fiscal Year Ending March 31, 2005**

	<b><u>Governmental Activities</u></b>	<b><u>Business- Type Activities</u></b>	<b><u>Total</u></b>
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$ 106,231	\$ 117,265	\$ 223,496
Grants and Contributions	3,578	-	3,578
General Revenues			
Property Taxes	86,932	-	86,932
State Shared Revenue	143,846	-	143,846
Investment Earnings	6,350	-	6,350
Miscellaneous	<u>14,216</u>	<u>-</u>	<u>14,216</u>
<b>Total Revenues</b>	<b>361,153</b>	<b>117,265</b>	<b>478,418</b>
<b>Expenses</b>			
General Government	161,833	-	36,963
Public Safety	93,325	-	66,772
Public Works	24,413	-	162,236
Health and Welfare	15,000	-	1,608
Community and Economic Dev.	8,068	-	37,196
Recreation and Cultural	2,525	-	1,029
Other	<u>14,774</u>	<u>134,350</u>	<u>149,124</u>
<b>Total Expenses</b>	<b><u>319,938</u></b>	<b><u>134,350</u></b>	<b><u>454,288</u></b>
<b>Increase (Decrease) in Net Assets</b>	<b>41,215</b>	<b>( 17,085 )</b>	<b>24,130</b>
Net Assets - Beginning (restated)	<u>505,621</u>	<u>318,145</u>	<u>823,766</u>
<b>Net Assets - Ending</b>	<b><u>\$ 546,836</u></b>	<b><u>\$ 301,060</u></b>	<b><u>\$ 847,896</u></b>

## **Township of Stockbridge**

### **Management's Discussion and Analysis**

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#### **Governmental Activities:**

The result of 2005 governmental activity was an increase of \$41,215 in net assets to \$546,836. Of the total governmental activities' net assets, \$88,600 is invested in capital assets. The balance of \$458,236 is listed as unrestricted, having no legal commitment.

#### **Revenues:**

The three largest revenue categories were property taxes at 24%, charges for services at 29%, and State shared revenue at 40%. The Township levied one property tax millage for the year ended March 31, 2005, for general government operations at 0.7905 mills, which is not assigned to any particular activity.

#### **Expenses:**

General government is the largest governmental activity, expending approximately 50% of the governmental activities total and includes the Board of Trustees, Supervisor, Clerk, Treasurer, and buildings and grounds. Public Safety is the second largest area, expending approximately 29% of the governmental activities total on the fire department, as well as building inspections.

#### **Business-type Activities:**

Net assets in business-type activities decreased by \$17,085 during 2005. Of the business-type activities' net assets, \$251,199 is invested in capital assets. The balance of \$49,861 is listed as unrestricted, having no legal commitment.

### **FINANCIAL ANALYSIS OF THE TOWNSHIP'S MAJOR FUNDS**

As the Township completed 2005, its governmental fund reported fund balance of \$458,236. This is a net increase of \$43,615. The net changes are summarized in the following chart:

	<b>General Fund</b>	<b>Fire Fund</b>
<b>Fund Balance/Net Assets 12/31/03</b>	\$ 414,621	\$ 318,145
<b>Fund Balance/Net Assets 12/31/04</b>	\$ 458,236	\$ 301,060
<b>Net Change</b>	\$ 43,615	\$( 17,085 )

#### **General Fund:**

The General Fund is the chief operating fund of the Township. Unless otherwise required by statute, contractual agreement or Board policy, all Township revenues and expenditures are recorded in the General Fund. As of March 31, 2005, the General Fund reported a fund balance of \$458,236. This amount is an increase of \$43,615 from the fund balance of \$414,621 reported as of March 31, 2004. The 2005 original budget called for a \$5,434 increase in fund balance. \$60,000 of fund balance is reported as reserved.

The General Fund 2005 revenues exceeded 2005 expenditures and other financing uses by \$43,615.

## **Township of Stockbridge Management's Discussion and Analysis**

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### **General Fund Budgetary Highlights:**

The Township of Stockbridge's budget is a dynamic document. Although adopted prior to April 1 each year, the budget is routinely amended during the course of the year to reflect changing operational demands.

Actual General Fund revenue totaled \$361,153, \$23,128 above the final amended budget. The final amended and original budgets were the same and were less than 1% different than final actual.

The Township's expenditure budget was increased by \$2,649 (less than 1% above the original budget) during 2005. The balance on the increase was related to the overall rise in personnel costs, etc.

Actual Township expenditures for 2005 were \$15,072 under budget. General Fund actual expenditures came in at \$317,538 and the final budgeted amount was \$332,610, which was a 5% difference.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets - At the end of year 2005, the Township had invested \$339,799, net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation amounted to \$839,691. Depreciation charges for the fiscal year totaled \$44,661. Additional information related to capital assets is detailed in Note F of the Financial Statements. Net book value of capital assets at March 31, 2005 was as follows:

	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>
<b>Buildings, net</b>	\$ 88,600	\$ 24,566	\$ <b>113,166</b>
<b>Vehicles and equipment, net</b>	-	226,633	<b>226,633</b>
<b>Capital assets, net</b>	<b>\$ 88,600</b>	<b>\$ 251,199</b>	<b>\$ 339,799</b>

Long-term Debt - As of March 31, 2005, the Township had no long-term debt outstanding for the primary government.

### **TOWNSHIP OF STOCKBRIDGE GOVERNMENT ECONOMIC OUTLOOK:**

The State of Michigan continues to have difficulty in balancing their budget. Any shortfalls in projected revenues could affect our revenue sharing funds that we receive. Our budgets have already been cut more than once and any further cuts could affect the services that we provide to the citizens of the Township of Stockbridge.

Other factors that the Township is aware of are:

- Property tax revenue appears to be keeping pace with inflation.
- Investment earnings are at historically low levels due to low market interest rates.

### **CONTACTING THE TOWNSHIP**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the Township offices at (517) 851-7530.

## **BASIC FINANCIAL STATEMENTS**

Township of Stockbridge  
STATEMENT OF NET ASSETS  
March 31, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 267,020	\$ 28,555	\$ 295,575
Accounts receivable	356	2,446	2,802
Due from other governmental units	11,375	40,360	51,735
Internal balances	(40,337)	40,337	-0-
Total current assets	238,414	111,698	350,112
Noncurrent assets			
Investments	166,114	-	166,114
Capital assets, net	88,600	251,199	339,799
Internal balances	60,000	(60,000)	-0-
Total noncurrent assets	314,714	191,199	505,913
<b>TOTAL ASSETS</b>	553,128	302,897	856,025
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	2,494	1,837	4,331
Accrued liabilities	3,798	-	3,798
<b>TOTAL LIABILITIES</b>	6,292	1,837	8,129
<b>NET ASSETS</b>			
Invested in capital assets	88,600	251,199	339,799
Unrestricted	458,236	49,861	508,097
<b>TOTAL NET ASSETS</b>	<u>\$ 546,836</u>	<u>\$ 301,060</u>	<u>\$ 847,896</u>

See accompanying notes to financial statements.

Township of Stockbridge

STATEMENT OF ACTIVITIES

Year Ended March 31, 2005

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities	\$ 161,833	\$ 45,813	\$ -	\$ (116,020)	\$ -
	93,325	57,613	-	(35,712)	-
	24,413	-	3,578	(20,835)	-
	15,000	-	-	(15,000)	-
	8,068	2,805	-	(5,263)	-
	2,525	-	-	(2,525)	-
	14,774	-	-	(14,774)	-
Total governmental activities	319,938	106,231	3,578	(210,129)	-0-
Business-type activities					
Fire	134,350	117,265	-	-	(17,085)
Totals	\$ 454,288	\$ 223,496	\$ 3,578	(210,129)	(17,085)
General revenues					
Property taxes				86,932	-
State shared revenue				143,846	-
Investment earnings				6,350	-
Other				14,216	-
Total general revenues				251,344	-0-
Change in net assets					
				41,215	(17,085)
Net assets, beginning of the year				505,621	202,825
Prior period adjustment				-	115,320
Net assets, end of the year				\$ 546,836	\$ 301,060
				\$ 546,836	\$ 847,896

See accompanying notes to financial statements.

Township of Stockbridge  
GOVERNMENTAL FUND BALANCE SHEET  
March 31, 2005

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 267,020
Investments	166,114
Accounts receivable	356
Due from other governmental units	
Local	11,375
Advances to other funds	<u>60,000</u>
TOTAL ASSETS	<u>\$ 504,865</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 2,494
Accrued liabilities	3,798
Due to other funds	<u>40,337</u>
TOTAL LIABILITIES	46,629
FUND BALANCE	
Reserved for advances	60,000
Unreserved - undesignated	<u>398,236</u>
TOTAL FUND BALANCE	<u>458,236</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 504,865</u>

See accompanying notes to financial statements.



Township of Stockbridge

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

March 31, 2005

**Total fund balance - governmental fund** \$ 458,236

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 130,000
Accumulated depreciation is	<u>(41,400)</u>

Capital assets, net	<u>88,600</u>
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<b>Net assets of governmental activities</b>	<u><u>\$ 546,836</u></u>
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See accompanying notes to financial statements.

Township of Stockbridge

Governmental Fund

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE

Year Ended March 31, 2005

	<u>General</u>
REVENUES	
Taxes	\$ 86,932
Licenses and permits	57,673
Intergovernmental	147,424
Charges for services	45,181
Interest and rents	9,727
Other	<u>14,216</u>
TOTAL REVENUES	361,153
EXPENDITURES	
General government	159,433
Public safety	93,325
Public works	24,413
Health and welfare	15,000
Community and economic development	8,068
Recreation and cultural	2,525
Other	<u>14,774</u>
TOTAL EXPENDITURES	<u>317,538</u>
EXCESS OF REVENUES OVER EXPENDITURES	43,615
Fund balance, beginning of year	<u>414,621</u>
Fund balance, end of year	<u><u>\$ 458,236</u></u>

See accompanying notes to financial statements.

Township of Stockbridge

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGE IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2005

<b>Net change in fund balances - governmental fund</b>	<b>\$ 43,615</b>
--	------------------

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation	<u>(2,400)</u>
<b>Change in net assets of governmental activities</b>	<b><u>\$ 41,215</u></b>

See accompanying notes to financial statements.

Township of Stockbridge  
Proprietary Fund  
STATEMENT OF NET ASSETS  
March 31, 2005

	<u>Fire Fund</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 28,555
Accounts receivable	2,446
Due from other funds	40,337
Due from other governmental units	
Local	<u>40,360</u>
Total current assets	111,698
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>251,199</u>
TOTAL ASSETS	362,897
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	1,837
Noncurrent liabilities	
Advances from other funds	<u>60,000</u>
TOTAL LIABILITIES	<u>61,837</u>
<b>NET ASSETS</b>	
Invested in capital assets	251,199
Unrestricted	<u>49,861</u>
TOTAL NET ASSETS	<u><u>\$ 301,060</u></u>

See accompanying notes to financial statements.

Township of Stockbridge

Proprietary Fund

STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN FUND NET ASSETS

Year Ended March 31, 2005

	<u>Fire Fund</u>
OPERATING REVENUES	
Charges for services	
Fire runs	\$ 85,598
Retainer fees	<u>31,667</u>
TOTAL OPERATING REVENUES	117,265
OPERATING EXPENSES	
Salaries	30,738
Payroll taxes	601
Contractual service	1,706
Supplies	12,391
Insurance	16,198
Utilities	5,083
Training	1,325
Communications	2,519
Repairs and maintenance	12,826
Other	3,302
Depreciation	<u>44,661</u>
TOTAL OPERATING EXPENSES	<u>131,350</u>
OPERATING (LOSS)	(14,085)
NONOPERATING (EXPENSES)	
Interest expense	<u>(3,000)</u>
CHANGE IN NET ASSETS	(17,085)
Net assets, beginning of year	202,825
Prior period adjustment	<u>115,320</u>
Net assets, end of year	<u><u>\$ 301,060</u></u>

See accompanying notes to financial statements.

Township of Stockbridge  
Proprietary Fund  
STATEMENT OF CASH FLOWS  
Year Ended March 31, 2005

	<u>Fire Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 117,026
Cash paid to suppliers and vendors	(73,309)
Cash paid to employees	(30,738)
Cash paid for employee benefits	<u>(601)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	12,378
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest expense	<u>(3,000)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING YEAR	9,378
Cash and cash equivalents, beginning of year	<u>19,177</u>
Cash and cash equivalents, end of year	<u><u>\$ 28,555</u></u>
Reconciliation of operating (loss) to net cash provided by operating activities	
Operating (loss)	\$ (14,085)
Adjustments to reconcile operating (loss) to net cash provided by operating activities	
Depreciation	44,661
(Increase) in accounts receivable	(239)
Decrease in due from other governmental units	10,724
Increase in accounts payable	1,317
(Decrease) in advances from other funds	<u>(30,000)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 12,378</u></u>

See accompanying notes to financial statements.

Township of Stockbridge

Fiduciary Fund

STATEMENT OF FIDUCIARY NET ASSETS

March 31, 2005

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 4,263
Cash and cash equivalents - restricted	<u>1,889</u>
TOTAL ASSETS	<u>\$ 6,152</u>
LIABILITIES	
Due to individuals and others	\$ 5,108
Due to other governmental units	<u>1,044</u>
TOTAL LIABILITIES	<u>\$ 6,152</u>

See accompanying notes to financial statements.

Township of Stockbridge  
NOTES TO FINANCIAL STATEMENTS

March 31, 2005

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Stockbridge Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Ingham County. The Township operates under an elected Township Board, which consists of a Supervisor, Clerk, Treasurer, and two trustees, and provides services in many areas including fire protection, roads, and planning.

**1. Reporting Entity**

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity*, and *Statement on Michigan Governmental Accounting and Auditing No. 5*; these financial statements present all financial activities of the Township of Stockbridge. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of Stockbridge Township contain all the funds controlled by the Township Board.

**2. Basis of Presentation**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and are made up of charges to recipients of goods or services. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

**FUND FINANCIAL STATEMENTS**

The fund financial statements present the Township's individual major funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual governmental fund and major individual enterprise fund are reported as separate columns in the fund financial statements.



Township of Stockbridge  
NOTES TO FINANCIAL STATEMENTS

March 31, 2005

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

2. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

The major funds of the Township are:

- a. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Fire Fund is used to account for the operations of the fire department.

3. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for the fiduciary agency funds since assets equal liabilities.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental and similar trust funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Township of Stockbridge  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**5. Budgets and Budgetary Accounting**

The General Fund budget shown in the required supplementary information to the financial statements was prepared on a basis consistent with the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a departmental (activity) level for the General Fund through passage of a Board resolution. After the budget is adopted all transfers of budgeted amounts between activities, or any revisions that alter the total expenditures of the fund or activity, must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. Individual amendments were not material to original appropriations that were adopted.

**6. Cash and Cash Equivalents**

Cash and cash equivalents consist of regular and money market checking and savings accounts. Cash and cash equivalents are recorded at market value.

**7. Investments**

Investments are recorded at cost, which approximates market value. Investments consist of certificates of deposit with an original maturity of greater than 90 days.

**8. Property Tax**

The Township of Stockbridge bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied twice per year. A summer tax is levied on July 1 and a winter tax is levied on December 1. The tax levies are payable through September 30 and February 28, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Ingham County Treasurer on March 1 of the year following the levy. The Ingham County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for debt service. For the year ended March 31, 2005, the Township levied 0.7905 mills per \$1,000 of assessed valuation for general governmental services. The total taxable value for the 2004 levy for property within the Township was \$112,898,898.

Township of Stockbridge  
NOTES TO FINANCIAL STATEMENTS

March 31, 2005

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**9. Capital Assets**

Capital assets include buildings and additions, vehicles, and equipment and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental and business-type activities. Capital assets are those with an initial individual cost of \$10,000 for fire station and related equipment and \$5,000 for all other items and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Vehicles and equipment	10 years
Buildings and additions	40 - 50 years

**10. Comparative Data**

Comparative data for the prior year has not been presented in each of the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

**11. Accounting Change**

As of April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement) along with all related statements and interpretations. Some of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided. Reconciliations are presented between the governmental fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.
- The fund financial statements focus on major funds rather than fund types.

This implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34 based on GASB Statement No. 38. Certain note disclosures have been added and/or amended, including descriptions of activities of major funds and interfund balances and transactions, and various other disclosures.

Township of Stockbridge  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

The Township's cash, cash equivalents, and investments at March 31, 2005, are composed of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Regular and money market checking accounts	\$ 301,627	\$ 475,871
Certificate of deposits	<u>166,114</u>	<u>166,114</u>
	<u>\$ 467,741</u>	<u>\$ 641,985</u>

Deposits of the Township are at federally insured banks located in the State of Michigan, with all accounts maintained in the name of the Township. As of March 31, 2005, the Township accounts were insured by the FDIC for \$200,000 and the amount of \$441,985 was uninsured and uncollateralized.

Due to significantly higher cash flows at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Township of Stockbridge  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the combined balance sheet and statement of net assets based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of March 31, 2005:

	Primary <u>Government</u>	<u>Fiduciary</u>	<u>Total</u>
Cash and cash equivalents	\$ 295,575	\$ 4,263	\$ 299,838
Cash and cash equivalents - restricted	-	1,889	1,889
Investments	<u>166,114</u>	<u>-</u>	<u>166,114</u>
	<u>\$ 461,689</u>	<u>\$ 6,152</u>	<u>\$ 467,841</u>

The cash and cash equivalents caption on the balance sheet include \$100 in imprest cash.

**NOTE C: CASH AND CASH EQUIVALENTS - RESTRICTED**

The amounts shown in the Trust and Agency Fund as cash and cash equivalents - restricted relates to performance deposits for driveways and trailers.

**NOTE D: INTERFUND RECEIVABLES AND PAYABLES**

The following schedule details interfund receivables and payables at March 31, 2005:

Due to Fire Fund from:	
General Fund	<u>\$ 40,337</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

**NOTE E: ADVANCES RECEIVABLE AND PAYABLE**

The following schedule details advances receivable and payable between funds of the primary government at March 31, 2005:

Advance to Fire Fund from:	
General Fund	<u>\$ 60,000</u>

The balance of \$60,000 advanced to Fire Fund from General Fund resulted from loans made for the purchase of fire equipment.

Township of Stockbridge  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

**NOTE F: CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2005 was as follows:

	Restated Balance <u>April 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>March 31, 2005</u>
<b>Governmental activities</b>				
Buildings and additions	\$ 130,000	\$ -	\$ -	\$ 130,000
Less accumulated depreciated for:				
Buildings and additions	( 39,000 )	( 2,400 )	-	( 41,400 )
Capital assets, net	<u>\$ 91,000</u>	<u>\$( 2,400 )</u>	<u>\$ -0-</u>	<u>\$ 88,600</u>
<b>Business-type activities</b>				
Buildings and additions	\$ 57,954	\$ -	\$ -	\$ 57,954
Vehicles and equipment	<u>991,536</u>	<u>-</u>	<u>-</u>	<u>991,536</u>
Totals at historical cost	1,049,490	-0-	-0-	1,049,490
Less accumulated depreciated for:				
Buildings and additions	( 32,069 )	( 1,319 )	-	( 33,388 )
Vehicles and equipment	<u>( 721,561 )</u>	<u>( 43,342 )</u>	<u>-</u>	<u>( 764,903 )</u>
Total accumulated depreciation	<u>( 753,630 )</u>	<u>( 44,661 )</u>	<u>-0-</u>	<u>( 798,291 )</u>
Capital assets, net	<u>\$ 295,860</u>	<u>\$( 44,661 )</u>	<u>\$ -0-</u>	<u>\$ 251,199</u>

Depreciation expense of the governmental activities was allocated 100% to the general government function in the Statement of Activities.

**NOTE G: FUND BALANCE RESERVE**

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following fund balance reserve has been established as of March 31, 2005:

Fund Balance

General Fund	
Reserved for advances to other funds	<u>\$ 60,000</u>

Township of Stockbridge  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

**NOTE H: PRIOR PERIOD ADJUSTMENT**

The following prior period adjustment was made during the year, which was the result of a correction of an accounting error. This adjustment was reported as a change to beginning net assets. The effect on operations and other affected balances for the current and prior year are as follows:

	<u>2004</u>	March 31, <u>2005</u>	
PRIMARY GOVERNMENT			
Business-type activities			
Capital assets, net	\$ 115,320	\$ -	Correct understated capital
Net assets - beginning	-	115,320	assets, net of accumulated
			depreciation

**NOTE I: RETIREMENT PLAN**

The Township of Stockbridge is the sponsor of a retirement plan for the sole benefit of its employees. The Township of Stockbridge Pension Plan is a money purchase defined contribution pension benefit plan. Contributions are based on a pre-established contribution schedule with the Township contributing 100% of the amount. Employees may elect to contribute additional amounts ranging from 1 to 10 percent of their compensation. During the year ended March 31, 2005, the Township of Stockbridge made contributions for all eligible participating employees equal to 8.8% of their base compensation. To be eligible to participate, employees must be either elected officials or custodians for the Township.

All eligible employees participate in the plan. The contributions fund the premiums for ordinary life insurance tax deferred annuities and various pooled investment funds with the Manufacturers Life Insurance Company.

For the year ended March 31, 2005, the Township had a total payroll of \$115,650. The Township of Stockbridge Retirement Plan covered a payroll of \$72,705. The Township made contributions to the retirement plan in the amount of \$6,398.

**NOTE J: BUILDING DEPARTMENT FINANCIAL INFORMATION**

The Township elected to report the financial activities of the building department in the General Fund. The following is the required information as it relates to this department for the activity for the period April 1, 2004 to March 31, 2005:

REVENUES	
Building permits	\$ 57,613
EXPENDITURES	
Personal services and fringes	43,104
Contractual services	250
Other	<u>6,682</u>
TOTAL EXPENDITURES	<u>50,036</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 7,577</u>

Township of Stockbridge

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

**NOTE K: RISK MANAGEMENT**

The Township is exposed to various risks of loss for workers' compensation claims for which the Township carries commercial insurance.

The Township also participates in a pool, the Michigan Township Participating Plan, with other municipalities for auto, in-land marine, errors and omissions, crime, employee bonding, property and liability losses. The pool is organized under Public Act 138 of 1982, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have rights to dividends.

**NOTE L: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated and adopt budgets for the General Fund and any Special Revenue Funds.

In the required supplementary information, the Township's budgeted expenditures in the General Fund have been shown at the functional classification level. The approved budgets of the Township have been adopted at the functional level for the General Fund.

During the year ended March 31, 2005, the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Clerk	\$ 19,810	\$ 19,842	\$ 32
Board of review	772	826	54
Treasurer	21,815	21,865	50
Assessor	22,340	22,590	250
Elections	4,454	4,550	96
Community and economic development			
Zoning Board	695	5,207	4,512
Planning commission	2,857	2,861	4
Other	14,765	14,774	9



## **REQUIRED SUPPLEMENTARY INFORMATION**

Township of Stockbridge

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Current tax levy	\$ 86,300	\$ 81,787	\$ 83,849	\$ 2,062
Penalties and interest	5,000	3,083	3,083	-0-
Total taxes	91,300	84,870	86,932	2,062
Licenses and permits				
Building permits	52,600	52,693	57,613	4,920
Trailer permits	70	60	60	-0-
Total licenses and permits	52,670	52,753	57,673	4,920
Intergovernmental				
State				
Sales and use tax	145,000	143,846	143,846	-0-
Metro Act	-	3,578	3,578	-0-
Total intergovernmental	145,000	147,424	147,424	-0-
Charges for services				
Administration fees	35,000	42,368	42,376	8
Zoning fees	125	295	295	-0-
Land splits	1,500	1,500	2,510	1,010
Total charges for services	36,625	44,163	45,181	1,018
Interest and rents				
Interest	6,000	6,114	6,350	236
Rents	2,800	2,937	3,377	440
Total interest and rents	8,800	9,051	9,727	676
Other				
Insurance premium refund	-	-	7,559	7,559
Refunds and rebates	-	317	5,732	5,415
Other	1,000	(553)	925	1,478
Total other	1,000	(236)	14,216	14,452
<b>TOTAL REVENUES</b>	<b>335,395</b>	<b>338,025</b>	<b>361,153</b>	<b>23,128</b>

Township of Stockbridge

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended March 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
EXPENDITURES				
General government				
Township Board	\$ 32,167	\$ 37,865	\$ 33,656	\$ 4,209
Supervisor	22,200	22,000	22,000	-0-
Clerk	20,056	19,810	19,842	(32)
Board of review	910	772	826	(54)
Treasurer	22,515	21,815	21,865	(50)
Assessor	23,000	22,340	22,590	(250)
Elections	6,518	4,454	4,550	(96)
Buildings and grounds	29,125	34,113	33,594	519
Cemetery	800	510	510	-0-
Total general government	157,291	163,679	159,433	4,246
Public safety				
Fire department	51,500	51,504	43,289	8,215
Building inspections	53,450	51,022	50,036	986
Total public safety	104,950	102,526	93,325	9,201
Public works				
Drains at large	8,500	8,500	2,350	6,150
Highways and streets	23,200	22,063	22,063	-0-
Total public works	31,700	30,563	24,413	6,150
Health and welfare				
Ambulance	15,000	15,000	15,000	-0-
Community and economic development				
Zoning Board	850	695	5,207	(4,512)
Planning commission	2,335	2,857	2,861	(4)
Total community and economic development	3,185	3,552	8,068	(4,516)
Recreation and cultural				
Library	1,900	2,525	2,525	-0-
Other	15,935	14,765	14,774	(9)
TOTAL EXPENDITURES	329,961	332,610	317,538	15,072
EXCESS OF REVENUES OVER EXPENDITURES	5,434	5,415	43,615	38,200
Fund balance, beginning of year	414,621	414,621	414,621	-0-
Fund balance, end of year	<u>\$ 420,055</u>	<u>\$ 420,036</u>	<u>\$ 458,236</u>	<u>\$ 38,200</u>

## **OTHER SUPPLEMENTARY INFORMATION**

Township of Stockbridge

SCHEDULE OF FIRE RUN EXPENSES

March 31, 2005

FIRE FUND

OPERATING EXPENSES

Salaries	\$ 30,738
Payroll taxes	601
Contractual service	1,706
Supplies	12,391
Insurance	16,198
Utilities	5,083
Training	1,325
Communications	2,519
Repairs and maintenance	12,826
Other	3,302
Depreciation	<u>44,661</u>

TOTAL OPERATING EXPENSES 131,350

Less: Depreciation (44,661)

Add: Interest expense 3,000

TOTAL SHARED OPERATING EXPENSES \$ 89,689

	NUMBER OF HOURS FOR FIRE RUNS	SHARE OF OPERATING EXPENSES
Stockbridge Township	53.70	\$ 49,550
Waterloo Township	20.50	18,916
White Oak Township	4.00	3,691
Bunker Hill Township	<u>19.00</u>	<u>17,532</u>
	<u>97.20</u>	<u>\$ 89,689</u>

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



**ABRAHAM & GAFFNEY, P.C.**

Certified Public Accountants

Member:  
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and  
Michigan Association of  
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Karen A. Roka, CPA  
James A. Huguelet, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA  
Kurt M. Lemmen, CPA

**MANAGEMENT LETTER**

To the Members of the Township Board  
Township of Stockbridge  
Stockbridge, Michigan

Dear Ladies/Gentlemen:

As you know, we recently completed our audit of the records of the Township of Stockbridge, Michigan for the year ended March 31, 2005. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. This suggestion is the result of our evaluation of the internal control structure and our discussions with management.

1. The Township should review past Downtown Development Authority captures and ensure that proper payments have been made.

During our analysis of the amounts that were captured and remitted for the Township of Stockbridge Downtown Development Authority (DDA), we noted that the current captured amount was less than that captured in the previous year. When we inquired as to the nature of the difference, we were informed that an error was made in the previous year with respect to the amount captured from one of the taxing entities and remitted to the DDA.

We suggest that the Township work with the DDA to ensure that restitution is made to the entity for which the capture was not calculated properly. We also suggest the Township review their property tax disbursement procedures and remit accurately calculated property tax captures to the DDA in the future.

2. Supporting documentation for investment activities of the Township should be retained in accordance with the Township's records management policy.

During the course of our audit, we noted that supporting documentation for investments could not be located by the Treasurer. Through correspondence with the Township's financial institution, we were able to obtain confirmation of the investment amounts recorded in the general ledger. Maintaining complete and accurate documentation of the Township's financial activities is a key function of the Township's management.

We suggest the Township Treasurer locate or otherwise obtain supporting documentation for investments and place them on file appropriately.

3. Budgets should be monitored and amended when necessary.

As noted in the annual financial statements, some of the expenditure activities of the Township exceeded the amounts appropriated. The variances noted were in the General Fund. We also noted that the line item budget for Board of Appeals fees in the General Fund had been amended during the year to a negative amount.

Michigan Public Act 621 of 1978, as amended, provides that the Township shall not incur expenditures in excess of the amounts appropriated.

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We suggest the Township monitor actual expenditures against the adopted budget on a periodic basis, preferably monthly. Appropriate budget amendments should be made as needed, however we suggest that amendments should not be made that result in negative final budget amounts.

4. The Township should escheat unclaimed property to the State of Michigan.

During our audit, it was noted that the Township had outstanding checks listed on their Current Tax, Performance Deposit and General Fund bank reconciliations that were up to three (3) years old. The Michigan Public Act 29 of 1995 provides that the Department report and escheat unclaimed property to the State of Michigan in the year after they have been outstanding for more than one year.

We suggest the Township attempt to contact the payees in an effort to clear old outstanding checks. In the event that the rightful property owners cannot be located, we suggest the Township review their unclaimed property and escheat funds to the State of Michigan as necessary.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements and this report does not affect our report on the basic purpose financial statements dated April 26, 2005.

This report is intended solely for the use of management and the Township Board of the Township of Stockbridge, Michigan and should not be used for any other purpose. We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

April 26, 2005

Principals

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**REPORT ON INTERNAL CONTROL**

**To the Members of the Township Board  
Township of Stockbridge  
Stockbridge, Michigan**

In planning and performing our audit of the financial statements of the Township of Stockbridge for the year ended March 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Township of Stockbridge's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one (1) or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following reportable condition that we believe to be a material weakness:

**TIMELINESS OF BANK DEPOSITS**

We noted multiple instances of significant time lags between the receipt of funds and when they were deposited in the bank. This was noted in the General Fund, Current Tax Collection Fund, and Performance Deposit bank accounts.

During our analysis we noted the following issues:

1. The General Fund account had a total of eight (8) deposits in transit totaling over \$43,000 with receipt dates ranging from 5/16/03 thru 3/21/05 not being deposited until 4/25/05.
2. The Performance Deposit account had one (1) deposit in transit in the amount of \$625, with a receipt date of 3/20/05 not being deposited until 4/25/05.
3. The Current Tax Collection Fund account had one (1) deposit in transit of approximately \$4,000 with a receipt date of 3/14/05 not being deposited until 4/25/05.

We recommend the Township review and revise the accounting procedures related to cash receipting and timeliness of depositing the receipts. We also recommend the Township Board stress to the appropriate personnel the importance of following procedures and periodically monitor adherence to the procedures.



We also noted the following reportable condition that is not believed to be a material weakness:

PROPERTY TAX DISBURSEMENTS

During our analysis of property tax revenue, we noted that the Township had not disbursed certain property tax collections that were collected on behalf of other taxing units in a timely manner. State law calls for disbursement of all amounts collected within 10 business days of the first and fifteenth day of each month collection. This is the second time in three years that this issue has been noted and reported.

We recommend that the Township review their property tax disbursement procedures and remit future collections in a timely manner as required by the State of Michigan.

This report is intended solely for the information and use of the members of the Township Board and is not intended to be and should not be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

April 26, 2005